CASTLE & COOKE, INC. 1975 ANNUAL REPORT

ABOUT THE COMPANY

Contents

Castle and Cooke is an international complex of food operations that involve production, processing, distribution and marketing. Other activities include real estate, merchandising, manufacturing and service operations.

Food accounts for 77% of the Company's total revenues. Products include Dole pineapple, Dole bananas, Dole mushrooms and Bumble Bee seafood. In the U.S., Dole is the leading brand in both processed pineapple and in bananas, with market shares of 48% and 39%, respectively. Dole also is one of the leading mushroom brands in the U.S. In seafood, the Bumble Bee brand accounts for 7.4% of the U.S. tuna market and 9.1% of the U.S. salmon pack. Other seafood activities account for 15% of the Alaskan shrimp pack, 11% of the Alaskan snow crab pack and 10% of the Alaskan king crab pack. The Company's sugar operations in Hawaii account for 10% of that state's sugar production.

U.S. food production and processing facilities are located in Hawaii, California, Oregon, Washington, Alaska, Illinois and Maryland. Overseas food facilities are located in the Latin American countries of Honduras, Costa Rica, Nicaragua, Ecuador, Surinam and Brazil and in the Asian nations of the Philippines and Thailand.

Among Castle & Cooke's other activities, subsidiaries have real estate projects in Hawaii and California where the Company owns 149,000 and 10,000 acres of land, respectively. The Company's merchandising operations include a chain of self-service department stores on the West Coast and a heavy equipment distributor in Hawaii. Manufacturing operations include a California subsidiary that makes automatic swimming pool cleaners, and two majority-owned subsidiaries overseas—a steel pipe producer in Thailand and a rock quarrying operation in Malaysia. Service activities consist of several small transportation-related subsidiaries in Hawaii.

Worldwide employment in 1975 totaled 23,951 regular full-time employees, plus intermittent, part-time and seasonal workers numbering the equivalent of 11,306 additional full-time employees.

The Company is incorporated under the laws of the State of Hawaii. Corporate headquarters are located at 130 Merchant Street in Honolulu. Pacific Coast offices are located at 50 California Street in San Francisco.

The Company's common stock is traded on the New York, Pacific and Honolulu stock exchanges.

FINANCIAL HIGHLIGHTS

OPERATIONS	Fiscal Year 1975	1974*
Revenues	**$843,051,000**	$761,324,000
Net income	**38,160,000**	42,475,000
Earnings per share	**2.23**	2.46**
Average number of shares	**17,076,649**	17,230,919**
Cash dividends declared	**$ 12,303,000**	$ 9,091,000
Cash dividends paid	**12,303,000**	11,071,000
Per share***	**.72****	.66**
Stock dividends:		
Declared December 2, 1974, paid February 28, 1975		10%
Declared December 12, 1975, payable March 8, 1976	**10%**	
Capital additions	**$ 26,464,000**	$ 20,213,000
Acquisition of tuna purse-seine vessels	**30,153,000**	—
Depreciation expense	**16,714,000**	15,471,000
Return on average stockholders' equity	**13.13%**	16.16%
Market price range per share	**$12-16****	$8¼-14¾**

AT YEAR END	1975	1974*
Working capital	**$204,787,000**	$175,060,000
Total assets	**660,454,000**	645,576,000
Long-term debt	**166,611,000**	138,877,000
Stockholders' equity	**303,271,000**	277,962,000
Per share	**17.81**	16.29**
Number of shares	**17,024,413**	17,063,650**
Number of stockholders	**26,207**	25,104

*Amounts have been restated for a pooling of interests.
**Amounts have been adjusted to give effect to a 10% stock dividend declared in 1975.
***Current annual dividend rate is $.80 per share.

Annual Meeting
The annual meeting of stockholders will be held on April 22, 1976, at 4 p.m. at the Ilikai Hotel (Pacific Ballroom, Moorea Section), 1777 Ala Moana, Honolulu, Hawaii. Stockholders of record at the close of business March 3 will be entitled to vote at the meeting. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed about March 19. Prompt return of your proxy form will be appreciated.

TO OUR FELLOW STOCKHOLDERS

S. N. Castle

Results for the 53 weeks ended January 3, 1976, were gratifying. Despite a steep decline in income from sugar, net earnings for Castle & Cooke, Inc. in 1975 were second only to the record performance of 1974 when sugar accounted for more than half of total profit.

Earnings in 1974 also included a non-recurring net gain from the sale of the macadamia nut production facilities amounting to $3,724,000, while in 1975 all earnings were derived from operations.

Net income for 1975 was $38,160,000, or $2.23 per share, compared with $42,475,000, or $2.46 per share, in 1974. Per-share figures for both years have been adjusted to reflect the larger number of shares outstanding as a result of the 10% stock dividend declared in December, 1975, and total earnings for 1974 have been adjusted slightly for a pooling of interests acquisition in 1975.

Revenues for the 53 weeks ended January 3, 1976, were $843,051,000, compared with $761,324,000 for the 52 weeks in the prior year, and were the highest in Company history. (The fiscal year periodically includes an extra week because it ends on the Saturday nearest December 31.)

The 10% stock dividend of December, 1975, was the fourth such dividend in three years—a compounded total of 36% of stock dividends declared in that period. In addition, the Board of Directors increased the regular quarterly cash dividend rate from 15 cents to 20 cents per share in November, 1974, and the higher rate has applied to all stock dividend shares distributed since then.

We believe that the levels and composition of earnings in 1975 were illustrative of the basic strength of Castle & Cooke. Whereas one product alone, sugar, was responsible for more than half of net income in the prior year, the diversity of our product lines and operations enabled us to generate good earnings even though income from sugar dropped sharply in 1975.

Pineapple and bananas were the largest contributors to earnings last year. Canned pineapple made a strong showing in 1974 and improved upon it in 1975. This was due to favorable market conditions and to the fact that we obtained more fruit from our lower-cost Philippine and Thailand operations. Fresh pineapple was also more profitable in 1975 than in 1974 and is steadily becoming a more significant contributor to earnings.

Bananas staged a turn-around in 1975. In the prior year, bananas reported a loss due to a severe over-supply situation occurring early in that year. In 1975, the supply picture was more nearly balanced with demand. Despite much higher production costs due to more expensive operating supplies and increased export taxes imposed by two of the four Latin American countries from which we export, total banana operations were profitable.

We believe a significant new trend is becoming evident in the world banana picture. After many years of chronic and sometimes acute over-supply, the supply-demand situation appears to be more nearly in balance. Should this trend continue as we expect, a result would be a strengthening and stabilizing influence on year-to-year banana earnings for the industry as well as ourselves.

As we cautioned our stockholders at the time, the extraordinary run-up of sugar prices in 1974 was destined to be temporary, and so it proved to be.

Nevertheless, the $320 per ton of gross revenue realized in 1975 represents a satisfactory result for Castle & Cooke sugar production operations, and makes the return on investment better than had prevailed in years prior to 1974.

Two food product lines experiencing adverse results were mushrooms and seafood.

A number of factors collectively were responsible for a decline in mushroom earnings that began in 1974 and continued in 1975, resulting in a small loss. Cer-

A. S. Cooke

tainly one of these was the unexpected retirement and subsequent death of Howard West, who headed West Foods, Inc., our mushroom subsidiary.

Seafood also reported a loss in 1975, compared with an approximate break-even in 1974. We believe this result is temporary. We consider seafood to be a good business that can significantly contribute to Company earnings, and have selected it as an important focus for Castle & Cooke expansion.

As the stockholders have been informed from prior reports, our seafood business has been the object of intensive management scrutiny. In 1975, two major steps were taken to expand our seafood product lines and increase our extent of vertical integration in that operation.

Pan-Alaska Fisheries, Inc., a producer of frozen Alaska crab and shrimp, was acquired for stock. It brings additional products to the seafood lines that are in strong demand, particularly by the rapidly-growing "foods away from home" business.

For $30.5 million in cash and notes, we acquired the 12-vessel Gann fleet of large, modern tuna purse-seining boats. This added fishing capacity substantially reduces our dependence on the vagaries of the world market for light meat tuna, and will strengthen our position in expansion of the Bumble Bee light meat tuna business.

Our real estate activities reported an improved operating profit, despite continued downward adjustments to the carrying value of some projects.

The manufacturing, merchandising and service activities had lower earnings than in 1974.

The financial condition of the Company continues strong. A healthy debt-to-equity ratio was maintained, although long-term debt was increased primarily to cover acquisition of the tuna purse-seine fleet. At year end, the Company had cash and short-term investments of $38 million.

The Company made considerable progress in its aggressive corporate-wide Equal Opportunity and Affirmative Action programs.

At the Annual Meeting on April 18, 1975, Peter E. Russell, president and chief executive officer of Hawaiian Trust Co., Ltd., was elected to the Board of Directors. He succeeded J. Scott B. Pratt III, retired chairman of the board of Hawaiian Trust, who did not stand for re-election. Mr. Pratt had been a Director since 1959 and rendered outstanding service to the stockholders and management.

On April 1, D. J. Kirchhoff, President of Castle & Cooke, became Chief Executive Officer, succeeding Malcolm MacNaughton, who reached the age of 65 and who continues as Chairman of the Board.

Coincidentally with the nation's Bicentennial, 1976 also marks the 125th anniversary of the founding of Castle & Cooke. The Company's diverse and colorful history provides the graphic theme of this report.

This Company is fortunate indeed in the energy, resourcefulness and dedication of its employees. To them go our thanks for their outstanding performance of 1975. Their dedication, together with the outlook for our various product lines, leads us to view the year 1976 with optimism.

D. J. Kirchhoff
President

Malcolm MacNaughton
Chairman of the Board

Honolulu, Hawaii
January 31, 1976

SUMMARY OF OPERATIONS

Revenues and Earnings by Major Activities

(in thousands, except per share amounts)	Fiscal Year 1975		Fiscal Year 1974*		Fiscal Year 1973*		Nine Months Ended Dec. 31, 1972*		Year Ended March 31, 1972*	
REVENUES										
Food	**$648,238**	**77%**	$576,591	76%	$529,674	75%	$347,307	74%	$409,916	73%
Real Estate	**50,181**	**6**	46,163	6	50,100	7	24,981	5	38,129	7
Merchandising	**89,508**	**11**	82,759	11	77,333	11	57,939	13	65,458	12
Manufacturing	**26,030**	**3**	24,465	3	29,927	4	20,379	4	22,300	4
Services & Other	**29,094**	**3**	31,346	4	21,984	3	17,673	4	22,115	4
Total	**$843,051**	**100%**	$761,324	100%	$709,018	100%	$468,279	100%	$557,918	100%
OPERATING EARNINGS										
Food	**$ 75,548**	**83%**	$ 75,441	81%	$ 54,630	76%	$ 30,959	77%	$ 27,908	65%
Real Estate**	**2,626**	**3**	(590)	(1)	4,020	6	2,720	7	9,250	22
Merchandising	**751**	**1**	2,568	3	2,178	3	1,564	4	249	1
Manufacturing	**4,155**	**5**	5,239	6	6,893	9	2,688	7	3,780	9
Services & Other	**7,511**	**8**	10,450	11	4,356	6	2,171	5	1,239	3
Total	**90,591**	**100%**	93,108	100%	72,077	100%	40,102	100%	42,426	100%
LESS UNALLOCATED EXPENSES:										
Corporate	**4,471**		4,463		4,654		3,191		4,139	
Interest	**17,373**		16,430		13,782		11,071		14,854	
INCOME BEFORE INCOME TAXES	**68,747**		72,215		53,641		25,840		23,433	
INCOME TAXES	**28,776**		26,908		23,044		9,761		9,128	
	39,971		45,307		30,597		16,079		14,305	
MINORITY INTERESTS	**1,811**		2,832		2,423		1,274		1,913	
	38,160		42,475		28,174		14,805		12,392	
EXTRAORDINARY ITEMS	**—**		—		—		(1,445)		934	
NET INCOME	**$ 38,160**		$ 42,475		$ 28,174		$ 13,360		$ 13,326	
EARNINGS PER SHARE:										
Primary	**$2.23**		$2.46		$1.61		$ .76		$ .78	
Fully Diluted	**$2.14**		$2.35		$1.56		$ .75		$ .78	

*Amounts shown for prior years have been restated for a pooling of interests acquisition and to conform to the 1975 presentation.
**Includes charges of $5.2 million in 1975 and $9 million in 1974 to adjust asset carrying value of some real estate projects to estimated net realizable value.

Management's discussion and analysis of operations appear on pages 6 through 13.

Castle & Cooke's annual report this year has been designed to commemorate the Company's 125th anniversary, an historic milestone in business.
The Company began as a partnership in a simple stone building on June 2, 1851, in Honolulu, the capital of what was then the tiny kingdom of Hawaii (also known as the Sandwich Islands). The founders were Samuel Northrup Castle and Amos Starr Cooke, lay members of an early New England missionary group who had arrived in Hawaii in 1837. (Their photos appear on pages 2 and 3.)

From its original general merchandise business, the Company soon branched out into sugar and shipping. It became involved in pineapple in 1922, seafood in 1948 and bananas in 1964. All of these activities trace their origins back to the turn of the century.

Castle & Cooke's major growth began during the decade of the 1960s, and operations spread from the Fiftieth State to the far corners of the world. Diversification included real estate, merchandising and manufacturing.

The Company was incorporated in 1894, and dividends have been paid annually without interruption since 1896.

Among the memorabilia depicted above is a photo of the Company's first ledger, a painting of the old Mission Depository that became its first store, and a photo of Mr. and Mrs. S. N. Castle (circa 1890).

Jim Dole (photo above) was the leader among Hawaii's early pineapple pioneers. He founded his Hawaiian Pineapple Company in 1901, two years after his arrival in Hawaii from Boston. For 40 years, Dole has been the world's leading brand of pineapple.

Castle & Cooke first became involved with Dole's company in 1922 when Waialua Sugar, which C & C served as agent and was part owner, acquired a one-third ownership of Hawaiian Pineapple. Ten years later, C & C and Waialua put up the bulk of the refinancing necessary to save the depression-plagued company. Together, they held controlling ownership.

C & C became full owner of Dole through a merger in 1961.

FOOD

The following Operations section of this report, comprising pages 6 through 13, constitutes Management's Discussion and Analysis of activities and results for the years 1975, 1974 and 1973. Comparative revenue and operating earnings figures are in thousands in the following tables.

	1975	1974	1973
Revenues	**$648,238**	$576,591	$529,674
Earnings	**$ 75,548**	$ 75,441	$ 54,630

Castle & Cooke Foods reported excellent 1975 earnings, slightly ahead of those for 1974. However, results for individual product lines were mixed. In order of magnitude, pineapple, bananas and sugar made the largest contributions. Conversely, seafood and mushrooms each reported losses.

By contrast, in 1974 sugar generated more than half of total Castle & Cooke earnings, pineapple made a major contribution, seafood and mushrooms were approximately break-even, and bananas reported a loss due primarily to an acute over-supply situation and consequent low prices prevailing in the early part of that year.

PROCESSED PRODUCTS

Dole canned pineapple improved its profit contribution in 1975 even further over the excellent results of the prior year. Several factors contributed to the continuing strength of the canned pineapple line.

Basic to the improved marketing climate for our pineapple is the smaller role of several foreign producing nations whose products were sold with narrow profit margins and who have curtailed or discontinued production due to escalating costs of operating supplies such as tinplate and fertilizers and other products with petro-chemical bases. This has left the more efficient producers like ourselves in an environment in which the world canned pineapple supply is now more in balance with demand.

At the same time, Castle & Cooke has simplified its pineapple pack, eliminating low-margin items and concentrating on those cuts and can sizes most in demand by consumers. Distribution from our offshore producing locations to principal U.S. mainland ports has been made more efficient and less costly. The high-cost Hawaii division has been reduced in size to serve only those consuming areas where its production can be most efficiently distributed. The majority of our production has been sourced from the expanding and lower-cost Philippine and Thailand operations.

While operating costs continued to climb in 1975, the increase was not so dramatic as in 1974, and we were able to make some price increases to offset the impact of inflation.

Sugar reversed its phenomenal price rise of 1974 with a decline almost as sharp, reflecting consumer resistance and the substitution of other sweeteners for sucrose. Although we anticipated that such a correction would occur, the magnitude of the drop was greater than we had forecast at the beginning of the year.

Our average return, or gross revenue,

from California and Hawaiian Sugar Company declined from $634 per ton in 1974 to $320 per ton in 1975. The return in 1973 was $180.

The difference between the returns of 1975 and 1973 are not as favorable as might appear, however, because there has been a rapid escalation in the costs of labor and operating supplies. At 1975 levels, however, sugar earnings were satisfactory, and the return on investment was better than in many years prior to 1974.

Our Waialua Sugar Company made good progress in its expansion program, designed to increase production to more than 90,000 tons per year by 1978. Operations were good in the 1975 season but during much of the year growing conditions suffered from a severe drought that will adversely affect crops to some extent for the next two years.

The last cane was harvested at Kohala on the Island of Hawaii, bringing to an end the sugar activities of this historically marginal plantation. Former sugar lands are being leased to others, who will convert them to other agricultural and pasture uses, and the old sugar mill is being dismantled and its equipment sold.

Seafood operations sustained a loss in 1975, compared with an approximate break-even in 1974. The Company took positive action in 1975, however, to reverse this trend and put us in a better competitive position in the seafood industry.

In exchange for 258,547 shares of our common stock, Castle & Cooke acquired Pan-Alaska Fisheries, Inc. of Monroe, Washington, near Seattle. Pan-Alaska is a well-established producer of frozen Alaska king and snow crab and North Pacific shrimp. It is a supplier of shellfish to the institutional and restaurant trade, a rapidly expanding market offering great opportunity in the future.

Due to a number of one-time charges associated with the acquisition and to unfavorable results of a jointly-owned shrimp processing vessel, Pan-Alaska's operations in 1975 were unprofitable. However, the company is going into 1976 in a healthier position than it had a year ago.

In one of the largest acquisitions ever made by Castle & Cooke, we purchased the 12-vessel fleet of large, modern tuna purse-seining boats owned by interests headed by Edmund Gann. Together with two large vessels already employed by Bumble Bee Seafoods, the acquisition gives us one of the largest fleets in the tuna industry, with a combined carrying capacity of 13,000 tons.

When it is fully integrated into our operations, this fleet will supply Castle & Cooke with a substantial part of our raw light meat tuna requirements, making us less vulnerable to the volatile supply and price swings characteristic of the world market for these species of tuna. (Albacore, or white meat, tuna is caught by other types of vessels using different fishing methods.)

In the past two years, increasing fuel costs have depressed worldwide fishing efforts. With fewer boats fishing, raw fish supplies at times have been limited and

Castle & Cooke has been part of Hawaii's sugar industry since 1858 when the partners made their first investment in sugar.

The firm helped finance and served as agent for a number of early plantations on the islands of Oahu, Maui, Kauai, and the North Kohala region of the Island of Hawaii.

C & C's only remaining sugar enterprise today is Waialua Sugar Company on the north shore of Oahu. It is one of the largest and most productive plantations in Hawaii, with yields averaging more than 13 tons of sugar per acre.

Sugar was the first—and is still the most important—agricultural crop in Hawaii.

expensive. This situation particularly hurt our tuna operations this past year.

In 1975, our albacore tuna results were moderately profitable, and would have been more so had it not been for the world-wide shortage of raw fish.

Intense industry competition prevailed throughout the year on canned light meat tuna, stimulated in part by lower consumer prices on meat and poultry. While light meat tuna results were unprofitable, initial programs to expand our market position were successful. As we receive the full

Columbia River Packers Association, the forerunner of C & C's Bumble Bee Seafoods, was organized at Astoria, Oregon, in 1899—the same year that Jim Dole came to Hawaii.

CRPA resulted from the merger of seven independent salmon canners along the Columbia River. Samuel Elmore (top photo) was one of the organizers and CRPA's first manager. The other photo depicts early-day salmon fishing activities in which horses were used to haul the seining nets from the river.

CRPA soon expanded its salmon canning operations to Alaska and Washington's Puget Sound.

In 1938, tuna became a major addition to the company's line of fine seafood products.

benefit from ownership of the new tuna fleet, we believe the Company will become a more effective competitor in this segment of the industry.

At the beginning of 1975, the value of canned salmon inventories was high, reflecting a series of small and costly packs due to a succession of abnormally low salmon runs in Alaska. It was necessary to reduce prices to levels below cost in order to gain better movement at the retail level. These reductions produced a loss in salmon operations for the year.

The Company's tropical shrimp activities in Surinam reported a profit in 1975, contrasted with a loss in 1974.

Consumer acceptance of the Figaro line of tuna-based cat food continued good, and results were satisfactory.

Supplying as it does one of the world's most desirable sources of protein, the seafood business has great potential for expansion. Considerable progress was made in 1975 to place Castle & Cooke in a stronger position in this industry.

FRESH PRODUCTS

Dole bananas returned to normal earnings in 1975 after the losses incurred in 1974. Prices and profit margins improved dramatically, reflecting a healthier balance in world banana supplies and demand. Consumers proved willing to pay higher retail prices because the fruit is still one of the best year-round price and nutritional buys in the grocery store.

The losses of 1974 were due to a severe over-supply of fruit, particularly in the North American and Northern European markets, with consequent weak prices in the fore part of the year. Hurricane Fifi in the fall of 1974 devastated a great deal of the banana-producing acreage in Honduras, and steadily mounting operating costs and export taxes made it economically unsound to invest in the restoration of much of this acreage by the banana industry and independent planters.

The geographical diversity of the Company's production sources in Latin America made it possible for Castle & Cooke to replace much of its lost Honduran banana production with fruit from Nicaragua, Costa Rica and Ecuador.

While most principal banana marketing areas showed markedly better results in 1975, the North American market was particularly strong, and Dole bananas continued to maintain their leadership.

Castle & Cooke's share of the Japanese market, supplied from our Philippine

plantings, increased from 25% to 28%. Strong market conditions enabled prices to keep ahead of rising costs.

Limited banana shipments were made from Ecuador and the Philippines to the Middle East in an effort to expand our market base. Historically, there has been a close relationship between a country's gross national product and its consumption of bananas. As such countries prosper, we expect this market to grow.

Shipping costs and production costs in banana-growing areas continued to increase. Included were higher prices for operating supplies, especially those derived from petroleum, such as fertilizers and the poly resins used to manufacture plastic bags for agricultural and packaging purposes. In addition, Costa Rica increased its export tax on bananas from 25 to 45 cents per 40-pound box and passed legislation stipulating a minimum price to be paid independent planters, who account for 41% of our Costa Rican exports. Honduras increased its export tax from 25 to 30 cents per box. Nicaragua and Ecuador do not impose such taxes.

Effective September 15, 1975, the Republic of Honduras unilaterally cancelled its long-standing contracts with our Company governing the production and export of bananas. We believe this action violated the laws of that nation, and we are seeking remedy in Honduran courts. Currently, our banana operations there are conducted under the agricultural codes of Honduras which apply both to domestic and foreign-owned businesses.

The cancellation of the contracts was part of a "new banana policy" enunciated by the Chief of State of Honduras in an effort to strengthen the hurricane-damaged banana industry there. These contracts were similar to those frequently entered into between corporations and such entities as states and foreign governments seeking to stimulate economic development. They spell out regulations covering conditions of operation, taxes and importation of operating supplies.

Unfortunately, some press reports of this new policy erroneously gave the impression in the U.S. that Honduras was attempting to "expropriate" or "nationalize" the banana industry. The Chief of State has publicly stated that such is not the case. Among the purposes of the new policy are restoration of formerly producing banana farms and a greater participation in the banana industry by individual Honduran investors and the government. The Company is seeking to cooperate in this effort.

Late in 1975, the Company sold its wharf at the port city of La Ceiba to the Honduran government at book value. We have also signified a willingness to negotiate with the government for its purchase of our 300-kilometer railroad used primarily to ship bananas from interior growing areas to the port.

We are also conducting discussions with the Honduran government regarding a

Castle & Cooke's banana business also got its start in 1899 when the young firm of Vaccaro Brothers & Company began shipping the tropical fruit from Honduras to New Orleans.

The company was founded by three brothers—Joseph, Felix and Lucca Vaccaro—and Salvador D'Antoni (all shown above). The firm adopted the name Standard Fruit and Steamship Company in 1926. Over the years, it expanded operations to other Latin American countries and, in the 1960s, to the Philippines.

Standard Fruit has long been a major innovator in the banana industry. In 1959, it introduced plantation-boxing of bananas, a development that was hailed as a major breakthrough in the handling and distribution of the highly-perishable fruit.

Castle & Cooke served as Hawaii agent for Matson Navigation Company until the early 1960s—a span of more than 50 years. E. D. Tenney (photo above), dynamic leader of C & C from 1903 until his death in 1934, also served as head of Matson during much of the steamship company's heyday in the Pacific.

Shown with Tenney is his daughter Wilhelmina, who became C & C's first woman director (1940-51). The photo was taken at the 1926 launching of Matson's Malolo (later renamed the Matsonia), which was the largest and fastest passenger ship ever built in the U.S. up to that time.

plan seeking restoration of banana production in hurricane-damaged areas of the lower Aguan Valley. This would involve bringing these lands back into production by independent planters who would produce, under government sponsorship, the fruit for sale to the Company.

Dole fresh pineapple operations in 1975 generated higher earnings than in 1974 and continue to be one of the most promising growth areas of our food business.

Most fresh pineapple grown in Hawaii was sold in the Western states, with increasing penetration in the Midwest. This fruit is shipped by surface in refrigerated containers. Smaller quantities continued to be air-freighted successfully to Eastern markets where they received excellent consumer acceptance, despite their necessarily higher retail price.

During the year, a larger and more efficient fresh pineapple packing operation was established adjacent to the Dole cannery in Honolulu.

The Japanese market for Dole fresh pineapple grown in the Philippines was profitable. More than 50 million pounds of fruit were shipped to Japan in 1975.

Dole mushroom production was expanded in 1975 for both existing and new markets but financial results were disappointing. Mushroom operations ended the year with a small loss.

Chief among the adverse conditions was the loss of some key operating personnel due to death and ill health. Efforts are under way to rebuild the operating management with personnel experienced in the demanding technology of mushroom production.

Another negative factor was severe price erosion, primarily in Southern California, caused by the temporary distress sale of mushrooms in the fresh market by producers who normally process them into soups and other combination products.

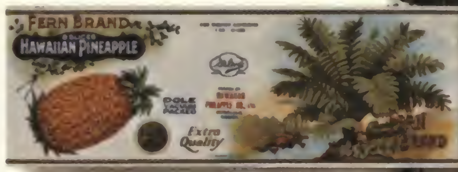
Application of the Dole label to fresh mushrooms continued to expand with the introduction in Western markets of a new Dole bulk box for use in retail produce departments.

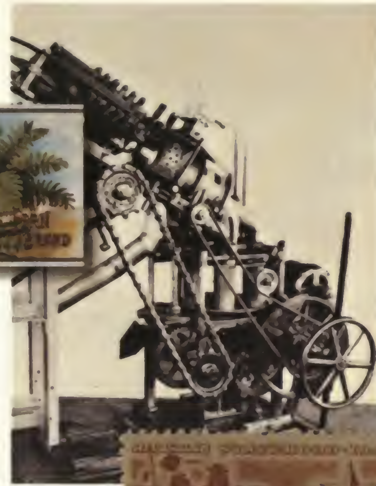
The canning of U.S.-grown mushrooms in retail sizes, an increasingly unprofitable business, was discontinued during the year. Substituted were mushrooms grown and canned in South Korea and Taiwan to our specifications and high quality standards. Because of their lower production cost, these products have much better profit margins.

FOOD-RELATED ACTIVITIES

Cerveceria Hondurena, S.A., our brewery and soft drink subsidiary in Honduras, and its affiliated companies increased net income over that of 1974.

OTHER ACTIVITIES





REAL ESTATE

	1975	1974	1973
Revenues	**$50,181**	$46,163	$50,100
Earnings	**$ 2,626**	$ (590)	$ 4,020

The state of the country's economy and its effect on the nation's housing industry continued to play a key role in the outcome of the Company's real estate activities. Consumer caution and the scarcity and high cost of money caused a severe slowdown in housing and contributed to the operating losses reported for our real estate subsidiaries in 1974.

As 1975 progressed, however, there was a slow improvement in economic conditions that was reflected in our real estate results. For 1975, Real Estate reported an improved operating profit, despite continued downward adjustments to asset carrying value of some projects amounting to $5.2 million before taxes.

The Company's real estate activities are conducted by Oceanic Properties, Inc. in Hawaii, and by Oceanic and Barclay Hollander Corporation in California.

In Hawaii, Mililani Town on the Island of Oahu, Oceanic's planned residential community 20 miles from downtown Honolulu, reported its second highest sales and earnings in its history.

Oceanic's plans for development of a low-density country home and resort development on the Island of Lanai, 98% owned by the Company, continued to be held in abeyance pending an improvement in market conditions and subdivision zoning approval of the first phase.

The net gain on land sales was down from $1,871,000 in 1974 to $1,135,000 in 1975.

In California, Oceanic has on appeal, before State courts, cases seeking to establish grandfather rights that precede passage of the 1972 Coastal Conservation Act affecting Oceanic's Sea Ranch country home development on the Northern California coast and a portion of Barclay Hollander's Marina Del Rey property in Los Angeles. It is hoped that favorable decisions on this litigation will be rendered in 1976.

BHC's active projects generated a modest profit in 1975, contrasted with a loss in 1974, but total operations were penalized by further asset write-downs.

In the trial of the suit filed by a homeowners' group challenging the validity of the subdivision proceedings involving BHC's Mountaingate project, the court ordered a rehearing of the zoning and development application by the Los Angeles City Council. By a substantial majority, the Council reapproved the application. Although portions of the court's decision have been appealed by the homeowners' group, management continues to believe that the subdivision approval will be upheld.

BHC continued phasing out of its joint venture development of mobile home parks, whose results have been disappointing.

Further development of Oceanic's large property in the San Jose area continued in abeyance. The existing golf course was leased out, and 3,500 acres of land are in the process of being returned to the original owners, leaving Oceanic with ownership of approximately 5,000 acres in fee. Alternate uses for this land are being studied.

The machine pictured above is an early prototype of a 1911 invention that made possible the mass processing of pineapple for canning. It was developed by Henry Ginaca (a young engineer commissioned by Jim Dole) to remove the tough outer shell and the fibrous inner core of the pineapple at far greater speed than was possible by hand.

Another milestone was Dole's introduction of pineapple juice. In 1936, a case of the new product was shipped via Pan American's China Clipper from Hawaii to Washington, D.C.

C & C's acquisition of Dole in 1961 led the company into the real estate business. At left is a scene of a recreation center at Mililani Town, a residential development of the Company's Oceanic Properties subsidiary, on the Island of Oahu.

The carved wooden image above, with its fierce countenance, depicts the ancient Hawaiian war god, Kukailimoku. On display at the Bishop Museum, Honolulu, it is the only surviving image from a temple of human sacrifice in pre-Christian Hawaii.

The replica of the Hawaiian flag illustrates its close resemblance to the British Union Jack. This stems from Great Britain's early influence in Hawaiian affairs following the discovery of the Islands in 1778 by British explorer Capt. James Cook.

Castle & Cooke re-entered the merchandising field — its original business — in 1966 when it acquired the California firm of Ames Mercantile Company, Inc., forerunner of its present C & C Merchandising Corporation subsidiary. (It had sold the original mercantile business in 1898.) The items shown at the right are typical of the products marketed by the present merchandising subsidiary.

MERCHANDISING

	1975	1974	1973
Revenues	**$89,508**	$82,759	$77,333
Earnings	**$ 751**	$ 2,568	$ 2,178

Castle & Cooke's two merchandising activities had contrasting results in 1975, whereas in 1974 both reported improved earnings over those of 1973.

Hawaiian Equipment Company, the industrial equipment distributor in Hawaii, set records in both earnings and sales in 1975. However, Castle & Cooke Merchandising Corporation, operator of Value Giant junior department stores on the Pacific Coast, showed lower operating earnings.

The record results generated by Hawaiian Equipment were largely attributable to the completion of a program to eliminate low-margin product lines. Consequently, operating earnings improved.

Castle & Cooke Merchandising, reflecting the general industry pattern in its marketing areas, had unfavorable results in the first half of 1975. We experienced the best Christmas shopping season ever but could not overcome the unsatisfactory results recorded earlier in the year.

MANUFACTURING

	1975	1974	1973
Revenues	**$26,030**	$24,465	$29,927
Earnings	**$ 4,155**	$ 5,239	$ 6,893

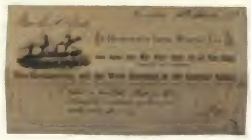
Manufacturing earnings in 1975 continued the decline begun in 1974 but for different reasons. In 1974, the decline was due to a sharp drop in business by a Philippine subsidiary, plus a reduction in mid-year of our ownership. In 1975, the remaining ownership of the Philippine subsidiary was sold, and two of the other manufacturing subsidiaries had lower profits than in the prior year.

Arneson Products, Inc., our California-based subsidiary manufacturing the "Pool Sweep" automatic swimming pool cleaner, reported reduced earnings. These were attributable to high start-up costs of a new program to rent "Pool Sweeps" to pool owners. The number of units sold and rented increased by almost 14% compared with the prior year.

The Arneson rental program appears to be a promising new area for profit and cash flow, once it goes into full operation. Experience gained in the first two test markets in Southern California is being applied in new markets to be opened in 1976.

Malaysian Rock Products, 76%-owned by Castle & Cooke, reported a small improvement in profits from its quarrying operations near Kuala Lumpur, despite a slackening in construction activity in Malaysia.

Thai-Asia Steel Pipe Company, Ltd. of Bangkok, 55%-owned, experienced a dramatic downturn from record earnings in 1974 to a small loss in 1975. This was due to a combination of severe competition and a recession in the economy of Thailand.



SERVICES & OTHER

	1975	1974	1973
Revenues	**$29,094**	$31,346	$21,984
Earnings	**$ 7,511**	$10,450	$ 4,356

Earnings from service and other activities in 1975 declined from the results achieved in 1974. For reporting purposes, this category also included in 1974 the gain from sale of the Company's macadamia nut facilities ($5,595,000, before taxes).

Lower results from our two trucking companies on Oahu and the stevedoring operation in the Port of Honolulu were directly caused by the recession in business activity there.

As business conditions improve, these operations should reflect them.

Discussion and Analysis of Fiscal 1974 and Fiscal 1973

Following is Management's Discussion and Analysis of the Company's results for the 52 weeks ended December 28, 1974, compared with those of the 52 weeks ended December 29, 1973.

Net income in 1974 reached a new high and was well above comparable results of 1973. Earnings from sugar accounted for more than 50% of total earnings in 1974 and were substantially above sugar results for 1973. In 1973, bananas were the largest single contributor to earnings, while the reverse situation prevailed in 1974 when bananas reported a loss attributable to a period of oversupply early in the year and consequent weak prices.

Total earnings for 1974 were further enhanced by a net gain of $3,724,000 from the sale of the Company's macadamia nut production facilities.

Processed pineapple was profitable in 1973, and earnings increased substantially in 1974 due to strong market conditions and the shift of increasing amounts of production from high-cost Hawaii to lower cost of the Philippines. Seafood products set records in sales and income in 1973 but there was severe erosion in 1974 earnings because of escalating raw product costs and consumer resistance to resulting higher retail prices.

Real estate earnings were satisfactory in 1973 but the depressing effects of the housing recession and a substantial write-down in asset carrying value contributed to a loss position in the following year.

Earnings from merchandising increased slightly in 1974 over those of 1973, principally because Christmas sales in 1974 exceeded expectations. Manufacturing earnings declined in 1974, compared with 1973, primarily a reflection of a sharp drop in business of a Philippine subsidiary and a reduction of our ownership.

The increase in interest cost in 1974 as compared with 1973 was attributable primarily to increased short-term borrowings, principally by certain of the Company's subsidiaries, and to higher prevailing interest rates. The effective income tax rate on taxable income was different in the two years because of a variance in the mix of domestic and foreign income.

On August 13, 1898, Castle & Cooke joined with the rest of the business community in Hawaii to celebrate the Islands' annexation by the United States. The Company's office (photo above) was suitably decorated for the occasion, with the American and Hawaiian flags draped over the entrance.

Two years later Hawaii was designated as a U.S. territory. It became the Fiftieth State in 1959.

C & C entered the manufacturing business in 1965-66 when it acquired majority ownership in a Thai steel pipe firm and a Malaysian rock quarry. It acquired its only American manufacturing subsidiary, Arneson Products, in 1969. Arneson's "Pool Sweep" automatic swimming pool cleaner is shown at the left.

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of Castle & Cooke, Inc. and all subsidiaries except several small companies which are not considered to be significant investments. Intercompany accounts and transactions of material amounts are eliminated. Amounts carried in foreign currencies are translated into U.S. dollars in accordance with the Financial Accounting Standards Board Statement No.8 as follows: current assets and liabilities (except inventories and prepaid expenses), non-current receivables, and long-term debt at year-end exchange rates; inventories, prepaid expenses, other non-current assets and liabilities, depreciation, and cost of products and merchandise sold at historical exchange rates; and revenues and costs and expenses (other than depreciation and cost of products and merchandise sold) at average exchange rates during the year. Exchange adjustments are not material in amount and are included in net income.

Fiscal Year
The Company reports on a fiscal year which ends on the Saturday closest to December 31. The 1975 fiscal year ended January 3, 1976, and comprised 53 weeks; the 1974 fiscal year ended December 28, 1974, and comprised 52 weeks.

Inventories
The Company's inventories are stated at the lower of cost or market. Cost is determined principally on a first-in, first-out basis. Specific identification, average cost and retail inventory methods are also used to a lesser extent for real estate projects, operating supplies and merchandise purchased.

Agricultural Operations
Growing crops consist of pineapple and sugar crops in Hawaii and are stated at static values, which are substantially less than current costs. Except for new major agricultural developments, the costs of growing all crops are charged to operations as incurred. Costs in excess of revenues relating to new major agricultural developments of pineapple plantations and banana farms are deferred during the formative stage and amortized over periods usually based on the length of various growing agreements.

Real Estate Operations
Real estate projects are stated at the lower of cost or market and consist of unimproved land and projects in various stages of development. Land development costs are allocated to individual lots on the basis of relative sales values or average costs per acre. Carrying charges, including property taxes and interest on funds borrowed for specific projects, incurred during the project construction period are added to the cost of certain projects until the development is completed and ready for sale, in accordance with trade practice. Asset carrying values of some real estate projects have been adjusted by a charge to income (net of taxes) of approximately $2,600,000 for 1975 and $4.500,000 for 1974. Portions of real estate projects currently offered for sale and estimated to be sold within one year are included in inventories.

Revenue from real estate operations is recognized when title to the property and all related risks of ownership are conveyed to the buyer and collectibility of the sales price is reasonably assured.

Sugar Operations
All sugar produced by the Company is sold to California and Hawaiian Sugar Company (C and H), a cooperative, for additional processing and marketing. The Company recognizes income only to the extent of C and H's sales to outside parties. Accordingly, the estimated net income deferral was $553,000 at January 3, 1976, and $4,659,000 at December 28, 1974.

Investments
Investments in unconsolidated subsidiaries and other affiliates over which the Company exercises significant influence are recorded on the equity basis. Other investments are stated at cost.

Operating Plant and Equipment
Operating plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the remaining lease term, if shorter.

Income Taxes
Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under tax laws. Deferred taxes, which arise principally from timing differences between the period in which certain revenues and expenses are recognized for financial accounting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes.

Appropriate U.S. and additional foreign income taxes, if any, are accrued on earnings of subsidiaries which are intended to be remitted to the parent company in the near future. Such taxes are not provided on subsidiaries' unremitted earnings which have been or are intended to be permanently reinvested.

Investment tax credits, which have not been material, are recorded as a reduction of current income tax expense in the years assets are placed in service.

Earnings Per Share
Primary earnings per share are based on the weighted average number of shares outstanding during the period, after consideration of shares issued in pooling of interests, stock dividends declared, and shares issuable upon exercise of stock options at prices below the average market price of the Company's common stock during the related period.

Fully diluted earnings per share are computed on the same basis as primary earnings per share after consideration of the additional dilutive effect which could result from conversion of outstanding debentures.

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts)	Fiscal Year 1975	Fiscal Year 1974
REVENUES		
Food	**$648,238**	$576,591
Real Estate	**50,181**	46,163
Merchandising	**89,508**	82,759
Manufacturing	**26,030**	24,465
Services & Other	**29,094**	31,346
Total	**843,051**	761,324
COSTS AND EXPENSES		
Cost of products and merchandise sold (except depreciation)	**600,174**	524,161
Selling, service, general and administrative expenses	**140,043**	133,047
Depreciation	**16,714**	15,471
Interest (net of interest capitalized: 1975—$351; 1974—$964)	**17,373**	16,430
Total	**774,304**	689,109
INCOME BEFORE INCOME TAXES	**68,747**	72,215
INCOME TAXES	**28,776**	26,908
	39,971	45,307
MINORITY INTERESTS	**1,811**	2,832
NET INCOME	**$ 38,160**	$ 42,475
EARNINGS PER SHARE		
Primary	**$ 2.23**	$ 2.46*
Fully diluted	**$ 2.14**	$ 2.35*

*Earnings per share have been restated to give effect to the 10% stock dividend declared in December, 1975 and payable in March, 1976.

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

(in thousands)	Jan. 3 1976	Dec. 28 1974
CURRENT ASSETS		
Cash	$ 16,392	$ 14,062
Short-term investments	21,589	6,930
Accounts receivable	92,568	105,082
Inventories	213,718	214,103
Prepaid expenses	7,634	6,951
Total current assets	351,901	347,128
GROWING CROPS	3,050	3,354
REAL ESTATE PROJECTS	29,478	46,297
INVESTMENTS		
Unconsolidated subsidiaries	3,348	3,350
Other affiliates	12,206	18,619
Other	4,578	4,263
LAND—At cost	30,646	28,331
OPERATING PLANT AND EQUIPMENT—Net	157,114	124,246
NON-CURRENT RECEIVABLES	36,249	36,900
OTHER ASSETS		
Agricultural development costs	20,216	20,698
Other	11,668	12,390
TOTAL	$660,454	$645,576

See Notes to Consolidated Financial Statements.

(in thousands)	Jan. 3 1976	Dec. 28 1974
CURRENT LIABILITIES		
Notes payable	**$ 39,508**	$ 57,388
Current portion of long-term debt	**18,568**	15,693
Accounts payable — trade	**31,246**	37,408
Income taxes payable	**19,267**	9,706
Other accrued liabilities	**30,807**	37,540
Deferred income taxes related to current assets	**7,718**	14,333
Total current liabilities	**147,114**	172,068
LONG-TERM DEBT	**166,611**	138,877
DEFERRED CREDITS		
Reserve for loss on termination of Molokai operations	**2,682**	9,864
Deferred income taxes	**12,952**	7,144
Deferred income on real estate and sugar	**8,539**	18,818
Other	**2,718**	4,517
MINORITY INTERESTS	**16,567**	16,326
STOCKHOLDERS' EQUITY		
Capital stock	**170,259**	155,140
Capital in excess of par value	**32,225**	26,872
Capital from acquisition of subsidiaries' stock	**16,969**	16,969
Retained earnings	**83,872**	79,035
Cost of treasury stock	**(54)**	(54)
Total stockholders' equity	**303,271**	277,962
TOTAL	**$660,454**	$645,576

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)	$10 Par Value Common Stock	Cost of Treasury Stock	Capital in Excess of Par Value	Retained Earnings
BALANCE, DECEMBER 29, 1973	$141,207	$ (54)	$23,170	$ 62,160
Restatement for Pan-Alaska Fisheries, Inc. pooling of interests	2,586	—	476	1,118
BALANCE, DECEMBER 29, 1973 — Restated	143,793	(54)	23,646	63,278
10% stock dividend paid February 28, 1975	13,867	—	3,640	(17,507)
Acquisition of treasury shares	—	(3,053)	—	—
Retirement of treasury shares	(2,520)	3,053	(413)	(120)
Net income	—	—	—	42,475
Cash dividends declared	—	—	—	(9,091)
Other changes — net	—	—	(1)	—
BALANCE, DECEMBER 28, 1974	155,140	(54)	26,872	79,035
10% stock dividend payable March 8, 1976	15,477	—	5,417	(20,894)
Acquisition of treasury shares	—	551	—	—
Retirement of treasury shares	(363)	(551)	(63)	(126)
Net income	—	—	—	38,160
Cash dividends declared	—	—	—	(12,303)
Other changes — net	5	—	(1)	—
BALANCE, JANUARY 3, 1976	$170,259	$ (54)	$32,225	$ 83,872

See Notes to Consolidated Financial Statements.

COMMON STOCK DATA

	1975		1974	
Calendar Quarter	Cash Dividends Paid per Share*	Market Price Range*	Cash Dividends Paid per Share*	Market Price Range*
First Quarter	**$.18**	**$ 12-14⅝**	$.25**	$11⅝-14¾
Second Quarter	**.18**	**13⅛-15⅞**	.12	9⅞-12¼
Third Quarter	**.18**	**12-15¾**	.12	8⅜-10
Fourth Quarter	**.18**	**12½-16**	.17	8¼-13⅝

*Adjusted to give effect to stock dividends.
**$.12 declared in preceding fiscal year.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)	Fiscal Year 1975	Fiscal Year 1974
SOURCES OF WORKING CAPITAL		
Net income	**$ 38,160**	$ 42,475
Add items not requiring outlay of working capital:		
Depreciation and amortization	**18,341**	17,164
Reduction in carrying value of non-current assets	**4,599**	12,297
Income applicable to minority interests	**1,811**	2,832
Other	**4,465**	(260)
Provided from operations	**67,376**	74,508
Additions (Reductions) to long-term debt	**27,734**	(926)
Increase in deferred income and other credits	**—**	8,716
Dispositions of property	**4,720**	7,268
Reduction of non-current receivables	**—**	2,079
Decrease in real estate projects	**15,598**	—
Total	**115,428**	91,645
APPLICATIONS OF WORKING CAPITAL		
Additions to property	**26,464**	20,213
Cost of tuna vessels less working capital acquired	**30,153**	—
Cash dividends	**12,303**	9,091
Purchase of treasury stock	**551**	3,053
(Decrease) Increase in investments	**(4,904)**	3,056
Increase in real estate projects	**—**	18,216
Decrease in deferred income and other credits	**19,260**	—
Other applications	**1,874**	1,152
Total	**85,701**	54,781
INCREASE IN WORKING CAPITAL	**$ 29,727**	$ 36,864
CHANGES IN WORKING CAPITAL COMPONENTS		
Cash	**$ 2,330**	$ (16,798)
Short-term investments	**14,659**	3,677
Accounts receivable	**(12,514)**	25,607
Inventories	**(385)**	55,270
Prepaid expenses	**683**	2,098
Notes payable and current portion of long-term debt	**15,005**	(24,924)
Accounts payable and other accrued liabilities	**12,895**	(13,703)
Income taxes payable	**(9,561)**	11,620
Deferred income taxes related to current assets	**6,615**	(5,983)
INCREASE IN WORKING CAPITAL	**$ 29,727**	$ 36,864

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

See Summary of Accounting Policies on page 14.

Changes in Subsidiaries

On June 18, 1975, the Company acquired Pan-Alaska Fisheries, Inc. in exchange for 258,547 shares of its common stock. The acquisition has been accounted for as a pooling of interests, and accordingly periods prior to the acquisition have been restated to include Pan-Alaska. In addition, certain reclassifications to 1974 financial statements have been made to conform to 1975 presentation. The effect of such restatements was not material.

On July 8, 1975, the Company purchased 12 purse-seine vessels for $30,504,000 consisting of cash, notes and assumption of existing mortgages on the vessels. In 1974, the Company purchased two mushroom facilities for $2,681,000 and reduced its percentage ownership in Republic Glass Corporation of Manila from 58% to 33%. In 1975, the Company sold its remaining interest in Republic Glass.

Also in 1974, the Company sold the assets of the Royal Hawaiian Macadamia Nut Division. A gain of $5,595,000 is included in Services & Other revenues in the consolidated statement of income ($3,724,000, net of taxes, or $.22 per share).

Inventories

Inventories are summarized as follows:

(in thousands)	1975	1974
Finished products and raw materials (principally food)	$121,064	$125,935
Real estate projects completed or under construction	24,942	20,715
Merchandise purchased	20,321	20,423
Operating supplies	47,391	47,030
Total	$213,718	$214,103

Foreign Operations

Total assets in foreign countries at the end of 1975, after elimination of intercompany amounts, were $213,920,000, including $105,037,000 of current assets. This compares with $202,577,000 and $91,513,000, respectively, at the end of 1974. A substantial part of these assets are employed to produce food products for sale in the United States and Canada. Sales to foreign customers represented 25% of total revenues in 1975 and 20% in 1974.

Operating Plant and Equipment

Major classes of operating plant and equipment were:

(in thousands)	1975	1974
Real estate improvements	$ 32,611	$ 32,280
Buildings	72,038	69,016
Machinery and equipment	207,180	169,926
Utility systems	21,917	22,849
Construction in progress	8,735	7,444
Total cost	342,481	301,515
Less accumulated depreciation	185,367	177,269
Operating plant and equipment—net	$157,114	$124,246

Financing

The Company has $37 million in domestic unsecured short-term credit lines from 21 banks, and also has the ability to borrow by issuing commercial paper, provided that unused bank lines will equal or exceed the amount of outstanding commercial paper. The Company has agreed to maintain compensating balances generally equal to 10% of the credit lines, with additional compensation for amounts borrowed under the lines. At January 3, 1976, no amounts were outstanding under the credit lines or in commercial paper.

The $36 million revolving credit agreement from a group of nine domestic banks, which originated in 1972, was converted on August 10, 1975, to a $30 million term loan, which bears interest at ½% above prime. The Company has also agreed to maintain compensating balances equal to 15% of the loan balance. The loan is repayable in 20 equal quarterly installments beginning November, 1975. In December, a prepayment of $15 million was made without penalty, and on January 3, 1976, the term loan balance was $13.5 million, which was repaid early in 1976.

Compliance with compensating balance requirements on both the unsecured credit lines and the bank term loan is determined on an average basis so that, on any given date, none of the Company's cash is restricted by compensating balance agreements. During 1975 and 1974, the Company was in compliance with its compensating balance requirements.

On December 23, 1975, a major restructuring of the Company's largest term loan was achieved. The financial effect of the revisions was to increase the loan amount to approximately $50 million, change some of the loan covenants and the interest rate, and adjust the repayment schedule.

On January 3, 1976, the Company arranged a two-year, $5 million term loan. The loan bears interest at ½% above prime and may be prepaid without penalty.

Short-term notes payable at January 3, 1976, and December 28, 1974, were composed of borrowings by the Company's real estate subsidiaries, borrowings by certain foreign subsidiaries for working capital requirements, and flooring agreements for

an equipment distributor. The average amounts outstanding and the effective interest rates during 1975 and 1974 were $45,813,000 at 11% and $44,753,000 at 10.5%, respectively. The highest amount outstanding at any period-end was $57,781,000 in 1975 and $61,399,000 in 1974.

Long-term debt at January 3, 1976, and December 28, 1974, less current maturities, is summarized below.

(in thousands)	1975	1974
5⅜% Convertible Subordinated Debentures	$ 30,000	$ 30,000
Unsecured notes:		
Fluctuating interest rate based on Eurodollar interbank rates, maturing serially from 1976 to 1980; 1975—range of 7½% to 11¹⁵⁄₁₆% (average 8.9%); 1974—range of 10⁷⁄₁₆% to 15¹⁵⁄₁₆% (average 12.9%)	16,758	23,957
9.3% (8⅞% through Dec. 23, 1975) maturing serially from 1980 to 1994	49,675	34,653
8% maturing serially from 1978 to 1987	15,000	15,000
Other, maturing serially to 1982; 1975—range of 4½% to 13½% (average 8.9%); 1974—range of 5½% to 13¼% (average 11.1%)	30,179	3,316
Collateralized notes:		
Payable by real estate subsidiaries, maturing serially to 2005; 1975—range of 5¾% to 13¾% (average 8.8%); 1974—range of 5¾% to 13¼% (average 10.8%)	12,211	21,819
Mortgage, installment and other notes payable, maturing at various dates to 1993; 1975—range of 4% to 11% (average 6.9%); 1974—range of 3½% to 10½% (average 6.7%)	12,788	10,132
Total	$166,611	$138,877

The debentures are convertible at any time into common stock. At January 3, 1976, the rate was one share for $25.81 of debenture principal. Full conversion would require 1,162,340 shares. Annual sinking fund payments of 5% of the principal amount outstanding at March 1, 1979, will begin in 1980 and continue through 1994, at which time the remaining balance is payable.

Payments on long-term debt other than notes payable by real estate subsidiaries are due in the following years: 1976, $13,228,000; 1977, $13,322,000; 1978, $25,922,000; 1979, $10,456,000; 1980, $11,746,000; and thereafter, $92,954,000.

Payments on $6,997,000 of real estate notes relating to real estate projects and land held for development are payable as units are sold or as related installments on contracts are collected. Payments on $5,572,000 of notes payable by real estate subsidiaries are due serially as follows: 1976, $358,000; 1977, $714,000; 1978, $156,000; 1979, $1,634,000; 1980, $74,000; and thereafter, $2,636,000.

Certain land, operating plant and equipment, real estate projects, notes and accounts receivable, and inventories (aggregate cost: 1975, $79,208,000; 1974, $94,960,000) are pledged as collateral on short-term and long-term notes.

Provisions of the debenture indenture and other credit agreements require maintenance of minimum working capital, current ratios and debt ratios, and impose restrictions on payment of cash dividends by the Company and certain subsidiaries. At January 3, 1976, $27,655,000 of retained earnings were not restricted for payment of cash dividends.

Stockholders' Equity

Authorized capital consists of 1,000,000 shares of no par value preferred stock, none of which has been issued, and 25,000,000 shares of $10 par value common stock. At January 3, 1976, and December 28, 1974, 17,024,413 shares and 17,063,650 shares were outstanding, respectively. There were 1,550 shares in treasury at both dates.

At January 3, 1976, 1,504,954 shares were reserved for the conversion of debentures and exercise of stock options.

A 10% stock dividend was declared on December 2, 1974, and paid on February 28, 1975. On December 12, 1975, the Board of Directors declared a 10% stock dividend distributable on March 8, 1976, to stockholders of record December 26, 1975. Prior periods' per-share amounts have been adjusted to reflect these stock dividends.

Upon declaration of the stock dividend on December 12, 1975, the estimated fair market value of the shares ($20,893,599) was transferred from retained earnings to capital stock and capital in excess of par value.

Stock Options

The Company has qualified stock option plans under which options to purchase its common stock may be granted to officers and key employees of the Company and its subsidiaries. Option periods run for five years, and option prices are the market prices on the dates of grant. The options become exercisable cumulatively in equal amounts on each anniversary of the grant except that shares applicable to the last two years of each option period become exercisable one year prior to the end of such period.

Stock option transactions during the latest two fiscal years, as adjusted for stock dividends, including the 10% stock dividend declared December 12, 1975, are summarized as follows:

	Shares	Average Per Share	Total
Balance outstanding, December 29, 1973			(000)
(17,149 exercisable)	501,234	$14.36	$7,200
Restatement for Pan-Alaska Fisheries, Inc. pooling of interests	2,186	9.15	20
Balance outstanding, December 29, 1973—restated (19,335 exercisable)	503,420	14.34	7,220
Options granted	1,100	5.80	6
Options exercised	(220)	8.52	(2)
Options cancelled	(10,684)	16.01	(171)
Balance outstanding, December 28, 1974 (233,196 exercisable)	493,616	14.29	7,053
Options exercised	(693)	6.98	(5)
Options cancelled	(150,309)	16.96	(2,549)
Balance outstanding, January 3, 1976 (173,363 exercisable)	342,614	$13.13	$4,499

At January 3, 1976, 239,003 shares were available for future stock option grants.

Commitments and Contingent Liabilities

The Company and its subsidiaries have obligations under noncancellable leases, primarily for ship charters, retail stores and agricultural land. Lease terms are generally for less than the economic life of the property. Non-capitalized financing leases are not material in relation to the Company's operations. The total rental expense for the latest two years is as follows:

(in thousands)	1975	1974
Minimum rentals	$33,471	$27,973
Contingent rentals	1,510	2,327
	34,981	30,300
Less subleases	1,476	1,385
Total	$33,505	$28,915

Certain retail store and agricultural land leases provide for increases in minimum rentals based on percentage of sales or production. Aggregate minimum rental commitments, by major property categories, are shown for the following future periods:

(in thousands)	Ship Charters	Agricultural Land	Retail Stores	Other Plant & Equipment
For the year:				
1976	$28,161	$ 647	$1,559	$3,314
1977	9,500	661	1,655	2,696
1978	4,699	648	1,560	2,399
1979	320	473	1,400	1,985
1980	189	454	1,362	1,670
For the five years ending:				
1985	141	1,593	6,924	4,531
1990	—	666	6,331	2,319
1995	—	101	5,237	1,029
Thereafter	—	77	5,764	2,354

At January 3, 1976, the Company and several of its subsidiaries were contingently liable for $8,285,000 for notes discounted and mortgage loans endorsed, and for $56,774,000 for guarantees of affiliated companies' indebtedness.

The Company's income tax returns for all years prior to 1972 have been examined by the Internal Revenue Service. The Service is presently conducting a field examination for the years 1972 and 1973. Any additional taxes resulting from such examination are not expected to have a material effect on the financial statements.

As previously reported, all other defendants in the five separate legal actions (two criminal and three civil) filed by the United States in December, 1974 against California and Hawaiian Sugar Company (C and H) and five other sugar refiners changed their original not guilty plea to nolo contendere. Based on counsel's advice, C and H has now entered a similar plea. In addition, a tentative settlement (subject to court approval) of the pending civil suits has been entered into, and C and H has advised the Company of the amount of the settlement flowing from the action. The Company's pro-rata portion of the settlement is not material and was recorded in 1975.

On December 9, 1975, the Company was served with a Complaint in a purported derivative suit brought in the U.S. District Court for the District of Hawaii by Estelle Green, the holder of 421 shares of the Company's common stock. The Complaint names as defendants Castle & Cooke, Inc., Standard Fruit and Steamship Company, and certain officers and past and present directors of Castle & Cooke, Inc.

The Complaint charges that alleged improper payments, characterized as "political payments" and "bribes," were made to persons in Latin America. Plaintiff asserts that payments are a waste and misuse of corporate funds and that information concerning such payments was improperly withheld from the stockholders. The Complaint alleges violations of federal and state laws, including the federal securities laws. The relief requested includes recovery of the allegedly improper payments, damages for alleged loss of corporate goodwill, an accounting, and an injunction against the making of unlawful or improper payments in the future, voiding various stock option plans and options granted thereunder, removal from office of four officers-directors, the election of four new members to the Board, and the reconstitution of the Board and the Executive Committee of the Board. The Company will defend this action on the grounds, among others, that such payments as were made were proper and necessary in the conduct of its ordinary business operations.

The Company presently has on file with the Securities and Exchange Commission two form S-8's covering the Employee Qualified Stock Option and Profit-Sharing Plans. Because of a pending, general investigation under the Securities and Ex-

change Act of 1934 into payments to foreign governments and officials, the language of the Company's proposed disclosure of payments made to minor, local officials of certain foreign governments has not been approved and accepted.

As previously reported to shareholders, the Finance & Audit Committee of the Board of Directors, composed entirely of outside members, has determined to make, with the assistance of outside legal counsel and independent auditors, an investigation into Company practices in its foreign areas of operations to determine the existence, if any, of illegal payments to foreign governments and officials. A summary of the results of that investigation will be sent to each shareholder.

The Federal Trade Commission has commenced an investigation of the tuna and salmon industries. At this time, counsel has not sufficient information to determine whether any charges will be issued or against whom in the industry they might be lodged.

The Company also is involved in other legal matters, both insured and uninsured, which could have an effect on certain of its operations. In the opinion of management, the outcome of all contingencies and litigation will not have a material adverse effect on the financial condition of the Company.

Pension and Retirement Plans

The Company and its consolidated subsidiaries have qualified retirement plans covering most full-time employees. The cost of these plans amounted to $4,600,000 and $4,663,000 for the years 1975 and 1974, respectively, including amortization of past service costs over various periods. It is the policy of the Company and its consolidated subsidiaries to fund pension cost accrued. As of the most recent determination date, the actuarially computed value of vested benefits exceeded the aggregate value of the pension fund assets and balance sheet accruals by approximately $16,088,000.

In the opinion of the actuary, amendments to the retirement plans to comply with the provisions of the Employee Retirement Income Security Act of 1974 will have an insignificant effect on pension expense.

The Company and several subsidiaries also are parties to various industry-wide collective bargaining agreements which provide for pension benefits. Total contributions to these plans, including direct payments to pensioners, were $1,128,000 for the year 1975 and $1,163,000 for the year 1974.

Income Taxes

Current and deferred tax expense included in the consolidated statement of income was as follows:

(in thousands)	1975	1974
CURRENT:		
Federal	$23,578	$11,423
Foreign	6,457	4,763
State and local	2,300	3,948
	32,335	20,134
DEFERRED:		
Federal	(3,137)	6,488
Foreign	(180)	29
State and local	(242)	257
	(3,559)	6,774
Total tax expense	$28,776	$26,908

The Company's effective income tax rate varies from the statutory federal income tax rate for the following reasons:

	1975	1974
Statutory federal income tax rate	48.0%	48.0%
Foreign income which is taxed at lower rates	(7.2)	(8.3)
State and local income tax (net of federal income tax benefit)	1.5	3.0
Capital gain	(1.1)	(1.6)
Other items	.7	(3.8)
Effective tax rate	41.9%	37.3%

Sources of deferred taxes and the tax effect of each were as follows:

(in thousands)	1975	1974
Sugar revenue recognized currently for financial statement purposes but deferred (until cash liquidations are received) for tax purposes	$ (4,487)	$ 6,230
Expenses of terminated operations recognized in prior years for financial statement purposes but deferred for tax purposes	3,017	445
Real estate income recognized on the installment method for tax purposes	(1,521)	1,212
Accelerated depreciation for tax purposes	1,187	230
Results of joint venture and partnership operations recognized in different years for financial statement and tax purposes	(247)	1,971
Gain on sale of assets recognized on the installment method for tax purposes	(126)	1,223
Other	(1,382)	(4,537)
	$(3,559)	$6,774

Unremitted earnings of subsidiaries which have been or are intended to be permanently reinvested aggregated $44,168,000 at January 3, 1976. If taxes were to be provided on such earnings, the estimated total of such taxes would be $15,921,000.

Capitalized Interest

The Company has capitalized interest on borrowed funds in connection with certain real estate and agricultural projects. The effect on net income for both 1975 and 1974 would have been immaterial had the Company charged all interest to expense as incurred.

Quarterly Results

Unaudited financial results by quarter for 1975 and 1974 are summarized below. (Amounts have been adjusted for a pooling of interests acquisition and a stock dividend declared in 1975.)

(in thousands, except per share amounts)

	Revenues	Operating Earnings	Net Income	Earnings Per Share Primary	Earnings Per Share Fully Diluted
1975—First Quarter	$158,907	$15,871	$ 5,758	$ .33	$ .33
Second Quarter	198,803	27,254	11,917	.70	.66
Third Quarter	205,544	21,964	9,576	.56	.54
Fourth Quarter	279,797	25,502	10,909	.64	.61
Total	$843,051	$90,591	$38,160	$ 2.23	$ 2.14
1974—First Quarter	$139,011	$12,192	$ 4,664	$ .27	$ .26
Second Quarter	172,791	19,379	7,264	.42	.41
Third Quarter	188,288	29,188	13,621	.79	.75
Fourth Quarter	261,234	32,349	16,926	.98	.93
Total	$761,324	$93,108	$42,475	$ 2.46	$ 2.35

AUDITORS' REPORT

To the Stockholders of Castle & Cooke, Inc.

We have examined the consolidated balance sheets of Castle & Cooke, Inc. and subsidiaries as of January 3, 1976 and December 28, 1974 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Castle & Cooke, Inc. and subsidiaries at January 3, 1976 and December 28, 1974 and the results of their operations and changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Honolulu, Hawaii
January 30, 1976

FINANCIAL HISTORY

(dollars in thousands, except per share amounts)	Fiscal Year		
OPERATIONS FOR THE PERIOD*	**Jan. 3, 1976**	Dec. 28, 1974	Dec. 29, 1973
Revenues	**$843,051**	$761,324	$709,018
Income before extraordinary items	**38,160**	42,475	28,174
Extraordinary items—net	**—**	—	—
Net income	**38,160**	42,475	28,174
Return on average equity	**13.13%**	16.16%	11.82%
Earnings per common share, assuming no dilution:**			
Income before extraordinary items	**2.23**	2.46	1.61
Extraordinary items	**—**	—	—
Net income	**2.23**	2.46	1.61
Dividends declared to Castle & Cooke stockholders:			
Cash dividends	**12,303**	9,091	7,884
Per share**	**.72**	.53	.45
Stock dividends	**10%**	10%	5% & 7%
Depreciation expense	**16,714**	15,471	17,328
Capital additions	**26,464**	20,213	17,329
Acquisition of tuna purse-seine vessels	**30,153**		

AT YEAR END*			
Current assets	**351,901**	347,128	277,273
Current liabilities	**147,114**	172,068	139,148
Working capital	**204,787**	175,060	138,125
Ratio of current assets to current liabilities	**2.39 to 1**	2.02 to 1	1.99 to 1
Total assets	**660,454**	645,576	577,115
Long-term debt	**166,611**	138,877	139,801
Stockholders' equity	**303,271**	277,962	247,632
Per share**	**17.81**	16.29	14.26

*Amounts have been restated for pooling of interests acquisitions.
**Per share amounts have been adjusted to give effect to stock dividends.

Nine Months Ended Dec. 31,	Year Ended March 31				Eleven Months Ended March 31,	Year Ended April 30,
1972	1972	1971	1970	1969	1968	1967
$468,279	$557,918	$522,898	$515,882	$461,587	$378,551	$358,226
14,805	12,392	7,535	17,341	15,392	12,899	10,103
(1,445)	934	3,478	(2,743)	3,533	—	1,434
13,360	13,326	11,013	14,588	18,925	12,899	11,537
5.94%	6.39%	5.68%	7.86%	11.07%	8.23%	7.80%
.84	.73	.47	1.11	1.02	.87	.68
(.08)	.05	.22	(.18)	.23	—	.10
.76	.78	.69	.93	1.25	.87	.78
5,525	7,273	6,609	6,254	5,455	4,317	3,987
.32	.43	.42	.40	.36	.29	.27
—	—	5%	—	100%	—	5%
13,160	16,276	13,958	12,483	11,514	9,028	8,730
10,179	20,216	30,173	28,085	25,727	19,710	20,233
270,800	236,942	215,153	192,911	184,618	157,163	140,703
141,246	122,131	149,812	119,494	116,023	82,190	77,913
129,554	114,811	65,341	73,417	68,595	74,973	62,790
1.92 to 1	1.94 to 1	1.44 to 1	1.61 to 1	1.59 to 1	1.91 to 1	1.81 to 1
574,815	548,072	504,906	458,422	432,137	361,137	314,955
159,130	165,998	130,530	119,114	114,115	99,091	60,912
229,224	220,779	196,198	191,556	179,753	162,191	151,274
13.06	12.73	12.39	12.13	11.70	10.80	10.25

Directors

A. S. Atherton
President, Gannett Pacific Corp.
Newspaper Publishers

W. M. Bush[1,2]
Retired Executive Vice President, Castle & Cooke, Inc.

H. B. Clark Jr.
Executive Vice President, Castle & Cooke, Inc.

James J. Finch[2,3]
California Citrus and Avocado Rancher

James F. Gary[2,4]
President, Pacific Resources, Inc.
Oil Refinery & Gas Utility Holding Company in Hawaii

John D. Gray[4]
Chairman of the Board, OMARK Industries, Inc.
Manufacturer of Industrial Tools, Equipment & Systems

D. J. Kirchhoff[1]
President & Chief Executive Officer,
Castle & Cooke, Inc.

C. Calvert Knudsen[4]
Senior Vice President, Weyerhaeuser Co.
Forest Products

Malcolm MacNaughton[1]
Chairman of the Board, Castle & Cooke, Inc.

Leonard Marks Jr.
Executive Vice President-Finance, Castle & Cooke, Inc.

John H. Magoon Jr.[3]
Chairman of the Board, Hawaiian Airlines, Inc.
Certified Common Air Carrier

James E. Nall
President, Investment Corporation of Florida
Community Developer

David T. Pietsch[3]
Executive Vice President, Title Guaranty of Hawaii, Inc.
Land Title Organization

Samuel A. Pond[2,3]
Associate Dean, Graduate School of Business,
Stanford University

Peter E. Russell
President, Hawaiian Trust Co., Ltd.
General Trust Services

Richard H. Wheeler[1]
President, Andrade & Co., Ltd.
Retail Clothing Chain Throughout Hawaii

[1] Executive Committee
[2] Finance & Audit Committee
[3] Corporate Compensation Committee
[4] Pension Committee

Officers*

Malcolm MacNaughton
Chairman of the Board

D. J. Kirchhoff
President & Chief Executive Officer

H. B. Clark Jr.
Executive Vice President

Leonard Marks Jr.
Executive Vice President-Finance

Robert S. Gordon
Senior Vice President

C. M. Waite
Senior Vice President

D. W. Furbee
Vice President & Controller

Robert M. Moore
Vice President & General Counsel

S. P. McCurdy
Vice President & Secretary

Mitsuyoshi Fukuda
Vice President

Richard M. Macfarlane
Vice President

John S. McGowan
Vice President

C. J. Patterson
Vice President

Raymond W. C. Wong
Vice President

R. A. Minckler
Treasurer

Roland M. Kemp
Group Controller

W. T. Miller
Group Controller

Randolph G. Moore
Group Controller

Allen V. Cellars
Assistant Controller

George Miyasaka
Assistant Controller

M. R. Durnam
Assistant Treasurer

James Henderson
Assistant Treasurer

C. Peter Rainey
Assistant Treasurer

Peter Schoenwald
Assistant Treasurer

Jean B. Stevens
Assistant Secretary

June Takafuji
Assistant Secretary

*All officers are full-time employees of Castle & Cooke, Inc.

Auditors
Peat, Marwick, Mitchell & Co.
Honolulu

Stock Transfer Agents & Registrars
Hawaiian Trust Co., Ltd.
Honolulu

Wells Fargo Bank, N.A.
San Francisco

Morgan Guaranty Trust Company
of New York
New York

Debenture Trustee
Bankers Trust Co.
New York

10-K Report
Copies of Castle & Cooke's 10-K report, a corporate operational and financial report filed annually with the Securities and Exchange Commission, are available without charge for those who wish to have more detailed information about the Company. If you would like a copy, or have any inquiries about the Company or your stockholder account, please write to:

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